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ABSTRACT

This three-part curriculum for entrepreneurship education is primarily for postsecondary level, including four-year colleges and adult education, but it can be adapted for special groups or vocational teacher education. The emphasis of the eight instructional units in part III is operating a business. Unit H focuses on business protection. It discusses the most common types of business crime. Among the topics addressed are shoplifting, stock shortages, embezzlement, and burglary. The various types of business protection, ranging from alarms to insurance, are explained. Material is organized into three levels of learning which progress from simple to complex concepts: Exposure, Exploration, and Preparation/Adaptation. Each level contains preassessment; teaching/learning objectives; substantive information (questions in margins guide the students' reading); activities, including a postassessment; and a self-evaluation. Definitions of important terms are found at the beginning of the unit; a bibliography and listing of sources for further information are appended. The four-page instructor's guide contains the teaching/learning objectives, teaching/learning delivery suggestions, and pre/postassessment suggested responses. (YLB)

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Research and Development Series No. 194 C-8

P A C E

A PROGRAM FOR ACQUIRING
COMPETENCE IN ENTREPRENEURSHIP

PART III: Being an Entrepreneur
Unit H: Business Protection

The National Center for Research in Vocational Education
The Ohio State University
Columbus, Ohio 43210

1980

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
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PART III: BEING AN ENTREPRENEUR

UNIT H: BUSINESS PROTECTION

TABLE OF CONTENTS

	Page
FOREWORD	v
HOW TO USE PACE	vii
OVERVIEW OF THE UNIT	ix
DEFINITIONS TO KNOW BEFORE YOU BEGIN	xi
PACE PATH OF STUDY	xiii
LEVEL I: EXPOSURE	
PREASSESSMENT	1
TEACHING/LEARNING OBJECTIVES	2
SUBSTANTIVE INFORMATION	3
Business Crime	3
Types of Crime Controls	6
Insurance Protection	6
ACTIVITIES	8
Assessment One	8
Postassessment	9
SELF-EVALUATION	9
LEVEL II: EXPLORATION	
PREASSESSMENT	11
TEACHING/LEARNING OBJECTIVES	13

	Page
SUBSTANTIVE INFORMATION	14
Securing the Premises	14
Shoplifting	20
Bad Checks	27
Losses Caused by Waste	27
ACTIVITIES	29
Assessment One	29
Postassessment	30
SELF-EVALUATION	31
LEVEL III: PREPARATION/ADAPTATION	
PREASSESSMENT	33
TEACHING/LEARNING OBJECTIVES	34
SUBSTANTIVE INFORMATION	35
Reducing Internal Theft	35
Crime Insurance	38
ACTIVITIES	44
Assessment One	44
Postassessment	45
SELF-EVALUATION	45
BIBLIOGRAPHY	47
SOURCES TO CONSULT FOR FURTHER INFORMATION	49

FOREWORD

Traditionally vocational education has been geared primarily to preparing students for employment--to preparing employees. Yet there is another career path available; students can learn how to set up and manage their own businesses. They can become entrepreneurs.

Vocational education, by its very nature, is well suited to developing entrepreneurs. It is important that entrepreneurship education be developed and incorporated as a distinct but integral part of all vocational education program areas. A Program for Acquiring Competence in Entrepreneurship (PACE) represents a way to initiate further action in this direction.

The strength behind these instructional units is the interest and involvement of vocational educators and successful entrepreneurs in the state of Ohio and across the nation. Special recognition is extended to the project staff: Lorraine T. Furtado, Project Director and Lee Kopp, Program Associate. Appreciation is also expressed to the many who reviewed and revised the drafts of the units: Ferman Moody, Hannah Eisner, and Sandra Gurvis. We owe a special thanks to those consultants who contributed to the content of this publication: Carol Lee Bodeen, Louis G. Gross, Douglass Guikema, Peter G. Haines, Philip S. Manthey, Charles S. McDowell, Mary E. McKnight, Steven R. Miller, Barbara S. Riley, Barbara A. Rupp, Ruth Ann Snyder, Robert L. Suttle, Florence M. Wellman and Roy H. Young.

Robert E. Taylor
Executive Director
The National Center for
Research in Vocational Education

HOW TO USE PACE

A Program for Acquiring Competence in Entrepreneurship (PACE) is a curriculum responsive to the need for instruction in entrepreneurship. It is primarily for postsecondary level, including four year colleges and adult education, but it can also be adapted for special groups. PACE is divided into three parts (1) Getting Ready to Become an Entrepreneur, (2) Becoming an Entrepreneur (establishing a business), and (3) Being an Entrepreneur (operating a business).

Each of the three parts has a set of instructional units which relate to that topic. Within these units, the material is organized into three levels of learning: Exposure, Exploration, and Preparation/Adaptation. These levels of learning progress from simple to complex concepts.

The levels of learning will enable you to use the PACE materials to suit your individual needs. You may find it best to work with the exposure level of one unit and the exploration level of another. Or, you may choose to pursue one level throughout the entire series. You might also want to work through two or more levels in one unit before going on to the next unit.

Before beginning a unit, discuss with your instructor what level or levels of learning in that unit are most appropriate to your goals and abilities. Read the unit overview and look through the pre/post-assessments for the three levels to help you in your choice. Also check the list of definitions you might need to look up or research for that level.

When you are ready to start, turn to the level you have chosen, take the preassessment and identify those items which you feel need special attention in the unit. Also look at the learning objectives; they will tell you what you should be able to do by the time you finish that level of learning.

As you read, you will notice questions in the margins alongside the substantive content portion of each level. Use these questions to guide your reading.

At the end of each level of learning are activities which help you become involved with the content presented in the unit. You and your instructor can decide on how many activities you should do; you may want to do several or you may need to do all.

Then, evaluate yourself. Is there any material that you need to review before you take the postassessment? The difference in your answers on the pre/postassessments should show you how much you have grown in your knowledge of entrepreneurship.

When you and your instructor feel that you have successfully completed that level, you are ready to begin another level of learning, either in the same unit or in another.

OVERVIEW OF THE UNIT

Once you have successfully started your own business, it will be important to protect yourself and your business against many unforeseen situations that might hinder its development. Large sums of money are lost each year by entrepreneurs, often because they are unaware of how to protect their businesses.

This unit discusses the most common types of business crime. Among the topics addressed are shoplifting, stock shortages, embezzlement, and burglary. In the unit, the various types of business protection, ranging from alarms to insurance, are explained.

DEFINITIONS TO KNOW BEFORE YOU BEGIN

As you read through a level, you might find some unfamiliar words. Listed below are several business terms used in each level. Knowing these before you begin might help you to better understand that level.

EXPOSURE

profit siphoning

internal theft

stock shortages

EXPLORATION

supervised alarms

unsupervised alarms

PREPARATION/ADAPTATION

shrinkage

broad-form

exclusionary clauses

underwrite

PACE

PATH OF STUDY

PART I-- GETTING READY TO BECOME AN ENTREPRENEUR

Unit I A

Unit I B

Unit I C

PART II-- BECOMING AN ENTREPRENEUR

Unit II A

Unit II B

Unit II C

Unit II D

Unit II E

Unit II F

Unit II G

PART III -- BEING AN ENTREPRENEUR

Unit III A

Unit III B

Unit III C

Unit III D

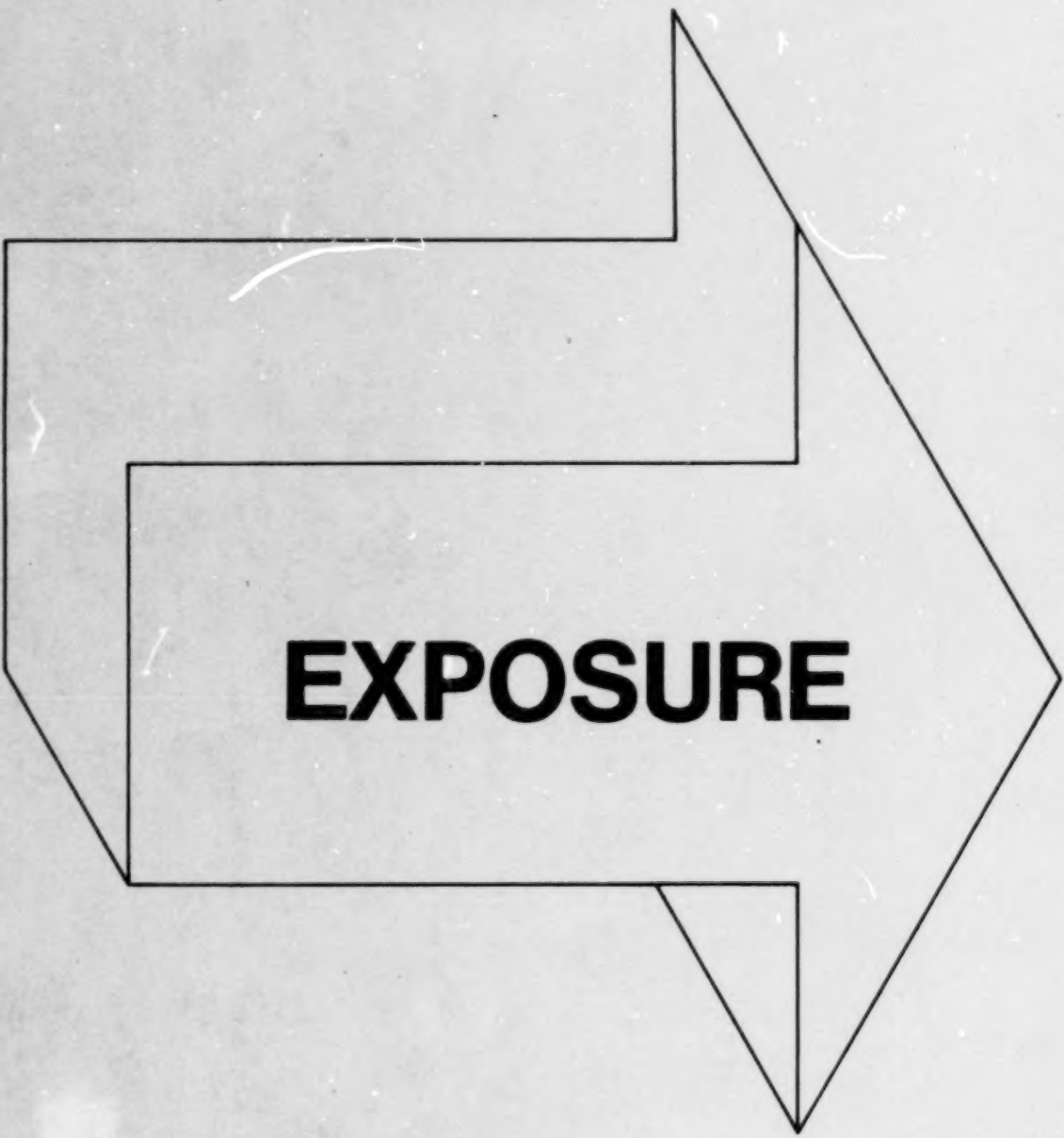
Unit III E

Unit III F

Unit III G



Unit III H -- Business Protection



EXPOSURE

EXPOSURE

PART III, UNIT H BUSINESS PROTECTION

PREASSESSMENT

Here are some questions that test for knowledge of the contents of this level. If you are very familiar with the information needed to answer them, perhaps you should go to another level or unit—check with your instructor. Otherwise, jot down your answers. After you've read through this level, take the postassessment at the end of the "Exposure Activities" section and measure what you've learned.

1. Why do businesses need to have protection programs?
2. What kind of crime controls can entrepreneurs use?
3. What is profit siphoning?
4. Why must retailers protect their firms from both internal losses and external losses?
5. What is the Federal Crime Insurance Program? Would you want it for your firm? Why or why not?

TEACHING/LEARNING OBJECTIVES

Upon completion of this level of instruction you should
be able to:

1. Explain the importance of business protection programs.
2. Discuss what entrepreneurs can do to minimize business losses.
3. Define profit siphoning.
4. Explain the need for protection against internal theft.
5. Define the Federal Crime Insurance Program.

SUBSTANTIVE INFORMATION

BUSINESS CRIME

IS THERE A NEED FOR LOSS PREVEN- TION SYSTEMS?

As an entrepreneur, you should be aware of the total crime picture. The Small Business Administration (SBA) estimates that between \$250 million and \$350 million are lost each year because of profit siphoning. In 1975, the U.S. Department of Commerce reported that the American business community lost \$23.6 billion to criminals, a staggering 50% increase over 1971. Moreover, these statistics are based, for the most part, on law enforcement and insurance agency reports. They are considered to be very conservative because many crimes go unreported. Crimes against businesses may go unreported because the amount lost is small, because the owner fears higher insurance rates, because the owner or employees fear investigation by authorities, or because employees never inform the owner of the loss.

You might think that such statistics are not relevant to small business owners. However, small businesses suffer more from criminal losses than larger ones. The small firm is thirty times more likely to become a victim of crime than the business with receipts of five million dollars or more per year. The small business is more vulnerable due to its small number of employees, its inability to hire competent security personnel, its space limitations, and its lack of equipment. While the actual size of individual losses may be smaller, the impact is certainly greater because the small business cannot absorb these losses easily.

Research studies show that every sector of business--retail, manufacturing, wholesale, service, and transportation--is plagued by substantial losses. A single group of businesses, retailers, consistently has the highest criminal losses. According to the Small Business Reporter of the Bank of America, in 1976, the total losses for retailers amounted to \$5.7 million, or 28% of the national crime bill. Thieves are especially drawn to retailers with attractive and easily accessible merchandise. The nature of retailing leaves these entrepreneurs vulnerable to profit siphoning from virtually all sides, including dishonest employees, delivery personnel, burglars, shoplifters, and vandals. "Profit siphoning" describes business losses caused by poor product control, careless receiving of goods, careless warehousing, overshipments, product waste, product abuse by employees, internal theft, and shoplifting.

As you look into the area of business protection, you will find that the lack of or improved use of loss prevention systems can directly influence the success or failure of a business. Studies show that losses of stock vary according to the type of security system used by the entrepreneur. While most new entrepreneurs are aware of their potential problems and vulnerability, very few know how to avoid losses. Unfortunately, not enough entrepreneurs understand how losses occur. For example, year end records do not accurately reflect the state of the business, and standard controls don't reflect

increasing losses; shortages are lumped together into shrinkage percentage figures. Although all businesses experience similar crime problems, each operation has its own unique situation which calls for a different solution.

Employee Embezzlement

WHY IS EMPLOYEE
EMBEZZLEMENT SO
COMMON IN RE-
TAILING?

Research authorities such as Saul Astor, president of Management Safeguards, Inc. of New York City, have found that dishonest employees account for approximately two-thirds of the theft in a retail business. The Department of Commerce estimates that employees are responsible for 75-80% of all retail shortages. About 8-10% of employees are hard-core pilferers while others steal on occasion. These statistics are somewhat shocking, and indicate a need for positive steps to keep internal theft at a minimum.

To the retailer buried in the day-to-day routine of operating a business, internal security takes a low priority. The manager's primary concerns--ordering merchandise, drawing in customers, and selling goods--leave little time to keep track of every dollar and watch every employee's actions. Therefore, the retailer may provide lucrative hunting grounds for all potentially dishonest employees. Exactly how lucrative can only be estimated.

Many retailers also persist in believing that all threats are external, and fear discovering dishonesty among their own staff. "It is only under extreme duress that business owners will turn inward to pinpoint sources of losses," notes one consultant. To concede to employee dishonesty within the operation

would be an admission of poor judgment of people as well as sloppy management. Therefore, the retailer may become willingly oblivious to those internal actions that could deplete inventory and siphon off profits. Entrepreneurs, especially retailers, need to realize that all it takes to get an employee to embezzle is one weak moment, one time of need, one dishonest friend, or one temptation.

TYPES OF CRIME CONTROLS

WHAT TYPES OF
CRIME CONTROLS
ARE AVAILABLE?

The available controls or deterrents fall into three main categories 1) hardware, 2) management, and 3) personnel. The first, hardware, includes mechanical and electronic devices that physically protect both premises and merchandise. The second, management, involves in-house management policies for curbing cash and inventory losses. The third, personnel, requires hiring honest employees and training them to utilize efficient control measures for keeping internal and external thefts at a minimum.

In some businesses, all three deterrents may be required to stop crime. All entrepreneurs should evaluate their needs and install the appropriate controls. Otherwise, inappropriate safety controls do no more than offer a false sense of security.

INSURANCE PROTECTION

CAN INSURANCE
HELP?

Many firms have turned to insurance to help them deal with losses. As you begin to define your particular insurance needs, you will probably encounter two major difficulties. The first will be in selecting the most appropriate insurance. You

should ask for a complete description of what your policy covers in language you understand. Secondly, insurance is becoming more and more difficult to afford. Although the cost of your insurance package could be relatively high, the cost of not having one could be higher; you could lose your business and everything else you own if you have to absorb a large loss. It is advisable to select an insurance broker or agent who is familiar with your particular type of business and who can devise an insurance package tailored to your specific needs.

Federal Crime Insurance Program

*WHAT IS THE
FEDERAL CRIME
INSURANCE
PROGRAM?*

On August 1, 1971, the Federal Crime Insurance Program was created. This program, which requires the participation of individual states, provides for federally funded crime insurance at reasonable rates, based on the size and accepted risk of the insured property. Even high risk businesses such as theaters, bars, and gas stations are eligible for insurance. However, coverage is limited to a maximum of \$15,000.

To qualify for insurance protection under this program, a business must install minimum protection devices such as locks, safes, and alarm systems; and establish security procedures. You, as an entrepreneur, can take advantage of this supportive insurance protection offer, provided you make at least minimal efforts to protect yourself.

EXPOSURE ACTIVITIES

As you have just read, security is a very important part of all businesses. Try these activities to help you become more knowledgeable in business protection.

ASSESSMENT ONE

1. Develop a list of five protection problems that an entrepreneur in your community might have.
2. Invite a member of a local department store security force to talk to your group. Ask the speaker to explain available programs and why security is important. You might want to develop a list of questions, including the following:
 - . What is the store's policy for handling someone who is caught shoplifting?
 - . Does the store follow any procedures which are designed to minimize internal theft such as daily cash records?
 - . What percentage of gross sales was lost last year in stock shortages?
3. Make a list of what you would want your firm's insurance to cover against internal and external losses. Check with a local insurance agent and see if the coverage is available and what it would cost.

POSTASSESSMENT

1. How important is it for businesses to have protection programs? Discuss in detail.
2. What kind of crime controls can entrepreneurs use?
In answering this question, identify specific methods.
3. Define profit siphoning.
4. Explain why retailers must protect their firms from internal losses as well as external losses.
5. Define the Federal Crime Insurance Program. Would this be a program you would want for your firm? Why or why not?

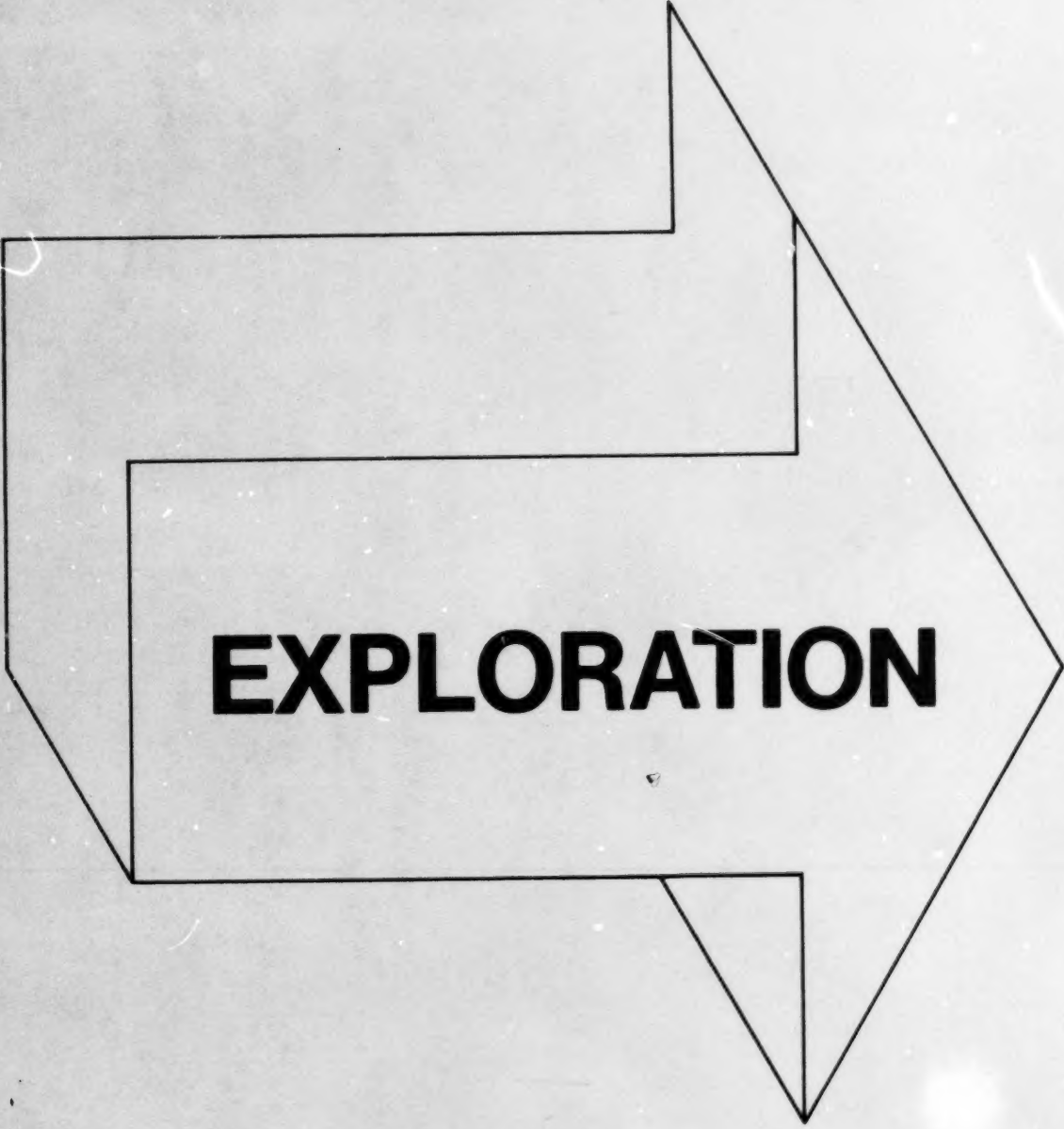
Compare your answers to your responses to the preassessment. You may want to check your postassessment answers with your instructor.

SELF-EVALUATION

How well did you know the information needed to do the activities?

- () Very well
- () Fairly well
- () A little.

Be honest with yourself. If you feel you don't know the material well enough, it might be helpful to review this section before going on.



EXPLORATION

EXPLORATION

PART III, UNIT H BUSINESS PROTECTION

PREASSESSMENT

Here are some questions that test for knowledge of the contents of this level. If you are very familiar with the information needed to answer them, perhaps you should go to another level or unit--check with your instructor. Otherwise, jot down your answers. After you've read through this level, take the postassessment at the end of the "Exploration Activities" section and measure what you've learned.

1. Develop a protection plan that outlines what you would do to secure your business from losses caused by internal and external sources. Include strategies for guarding cash and reducing the amount of bad checks.
2. What are supervised and nonsupervised account alarm systems? What are the advantages and disadvantages of each?
3. Discuss two common shoplifting practices. What protective measures can be used to minimize losses from them?

4. (a) Experts in business protection believe some internal losses are mistakes and others are intentional. Distinguish between mistakes and intentional losses.

(b) Since our society's attitudes have changed significantly from the past, should business protection programs be concerned with mistake losses?
5. Name and explain low-cost activities which a business can implement as precautions against shoplifting losses.

TEACHING/LEARNING OBJECTIVES

Upon completion of this level of instruction, you should be able to:

1. Write a plan that would outline in detail what you would do to secure your firm's premises.
2. Describe proper procedures for guarding cash.
3. Distinguish between alarm systems and identify the advantages and disadvantages of the system.
4. Describe shoplifting practices commonly used.
5. Name various protective measures which can be used to minimize shoplifting.
6. Identify procedures which can be used to reduce the amount of bad checks.
7. Distinguish between losses which are mistakes and those which are intentional.

SUBSTANTIVE INFORMATION

SECURING THE PREMISES

HOW CAN YOUR
BUSINESS BE
SECURED?

Burglary represents one of the biggest external threats to an entrepreneur, especially to a retailer. In 1976, according to the Small Business Reporter of the Bank of America, burglary losses for the retailer were approximately \$1.5 billion. Other types of businesses also suffer losses from burglary, though not as great.

Locks and Key Control

WHAT ABOUT
LOCKS AND
KEY CONTROL?

Physical protection against burglary begins by securing all obvious--and not so obvious--points of entry. Secure locks should be installed on all doors and windows. Since a cheap lock can easily be opened with a knife or plastic card, experts recommend a sturdy deadbolt and a pin tumbler cylinder. The bolt should be as long as possible so it cannot be released if someone attempts to pry the door open. A locksmith can inspect the premises and prescribe the safest type of lock.

A conscientious key control plan is as important as a secure lock. Locks are only as good as the care you take of the keys. Keys issued to employees should be stamped "Do not duplicate." Prudent managers install new locks and issue new keys whenever employees leave their jobs.

Window Protection

HOW CAN WINDOWS
BE SECURED?

Front windows offer burglars convenient access to the building's interior. Retailers have a special problem. Since their

front windows are designed to draw customers into the store, the merchandise is attractively displayed. Valuable goods shown in windows are especially vulnerable to burglaries.

Retailers can reduce the likelihood of "smash-and-grab" operations by installing tempered or laminated glass windows that resist blows. Iron screens, grills or bars placed outside windows or between the window and the building and securely fastened at night can also help keep out thieves. Some grills can be removed during the day. Many ironwork companies specialize in designing attractive grills that both complement the building's decor and foil burglars.

Transoms, skylights, ventilator shafts, air vents, and utility access covers should also be protected with steel mesh screens or bars. Because they are often shielded from view, these entrances are especially inviting routes for burglars, so the entrepreneur must make sure they are properly secured. Such openings should be permanently sealed if they have no purpose. Before this is done, check with the fire department to ascertain whether safety will be jeopardized.

Experts advise businesses to clear their grounds of overgrown shrubbery, especially near windows or entranceways that offers burglars safe hiding places. All ladders, ropes, hoses, and other tools that could help a burglar gain entry into the premises from front, side, back, or roof should be locked up and not left outside the building.

Bright Lights

HOW CAN LIGHTS

PROMOTE SECURITY? Bright lights that illuminate the building's exterior and interior at night can effectively discourage attempts to burglarize.

Many burglars prefer working at night because the darkness conceals their activities. By keeping their stores well lit, retailers assist patrolling police looking for suspicious persons.

Guards and Patrols

WHAT ABOUT

WATCH/PATROL

SERVICES?

Either guards who stay on the premises for a certain amount of time or patrols who check the building at regular times can be hired to help protect the business. Rates vary according to the type of service. For small operations, such services can be prohibitively expensive. However, by pooling their resources, a group of businesses can substantially lower their individual costs. You might want to organize the businesses in your area to hire such services.

A watchdog protecting the premises confronts the intruder with an immediate physical threat. For some types of business operations, specially trained guard dogs can be very effective deterrents. To do their job well, however, watchdogs need to be retrained periodically, so business owners usually lease them. Monthly rental costs generally run around \$400.

Cash Protection

WHAT ABOUT

PROTECTING

THE CASH?

Cautious business managers are especially mindful of their cash accumulation during the day and its storage at night. By making frequent bank deposits, owners protect themselves against sizeable cash thefts. Some businesses use the strategy of leaving

their empty cash register drawer open at night as a sign to potential burglars that they have nothing to gain by breaking and entering.

Safes can protect cash, checks, and important papers and documents from fire as well as burglary. Before buying a safe, you should understand the difference between fire-resistant and burglar-resistant safes. The first, made of flame-retardant materials, is relatively easy to break open. Burglar-resistant safes, on the other hand, are designed to guard against ripping, punching, chopping, or burning. However, there is no safe manufactured that cannot be opened by some burglar. Removing wheels or casters can make it harder for the burglar to remove the safe from the premises.

Any entrepreneur with a safe has puzzled over where to put it. A merchant might conceal it in a back room or closet, hoping to mislead the burglar into thinking that there is no safe. However, installing a safe in the back room only affords thieves greater privacy. Burglars usually check out the business premises thoroughly and know exactly where to find what they're seeking. Experts agree the safe should be placed in the front of the store in full view of pedestrians and patrolling police.

Alarm Systems

HOW DO YOU SELECT Business owners who believe locks, screens, and other physical
AN ALARM SYSTEM? deterrents do not provide sufficient protection can consider installing

alarm systems. As an entrepreneur, you need to be sure that your business is adequately protected.

Experts warn entrepreneurs not to try to determine their own alarm requirements. For most people, the concept of electronic warning devices--and the alarm industry jargon--can be confusing. Thus, bewildered entrepreneurs, persuaded by unethical sales representatives, can wind up investing large sums of money in elaborate alarm systems that provide more protection than needed. Others may resist the high costs quoted and decide to stick with traditional protective devices rather than considering alarm systems further. Either action is unfortunate.

With the right information, entrepreneurs can devise a protection plan that will take care of their needs. Security consultants and local law enforcement agencies can steer them towards the more reputable alarm companies in the area. Entrepreneurs can then solicit bids from at least three alarm companies and select the one that fits the budget and seems most reliable. Actual experience with a protection company will ultimately reveal its dependability.

The Underwriters Laboratories (UL) inspection and classification system is a helpful guide for selecting alarm systems and the companies that offer them. Standards set by UL offer clients some assurance that they are getting what they pay for. However, while many alarms are UL approved, the alarm company itself and its installation techniques may not be approved. The firms that do qualify have met different sets of requirements and are classified as A, AA, B, or C alarm companies. Prudent entrepreneurs will ask

both security consultants and sales representatives what the various classifications mean in terms of their buildings; these distinctions can represent important differences in services.

Alarm companies offer businesses a choice between supervised accounts and nonsupervised accounts. Differences between the two are based on the kinds of activities reported to the company's control station, the office or building where alarms are monitored.

Supervised Alarm Plans

WHAT ARE
SUPERVISED
ALARMS?

In supervised accounts, all after-hours opening and closings, as well as fire, robbery, and burglary alarms are registered at the central station. The alarm company keeps a card with the written estimates on arrival and departure times of the owners, who must open and close their buildings within the agreed-upon time span. Alarm signals are coded, however, to distinguish between regular opening and closing notifications and alarm conditions. In an emergency, the central station dispatches the police as well as its own inspector to the premises and notifies the subscriber of the conditions.

Although supervised accounts are 15-20% more expensive, they offer some advantages well worth the money. The extra outlay pays for constant, though remote, supervision. For example, if you forget to set the alarm after closing at night, you will be reminded by the central station. Managers with several employees also consider supervised accounts valuable in deterring dishonest employees from using their business keys to return after working hours to

steal merchandise or cash. Since openings and closings are logged at the central station, records also indicate the exact times workers are leaving and arriving at the premises.

Nonsupervised Alarm Plans

WHAT ARE NON-
SUPERVISED
ALARMS?

In nonsupervised accounts, only burglar, robbery, and fire alarms are relayed to the central station. Coded messages received by the alarm company from nonsupervised accounts are automatically considered alarm conditions. Managers turn their alarms off and on before entering and after leaving their stores; no message is relayed to the central station, whatever the hours.

SHOPLIFTING

WHAT IS THE
MOST COMMON
CRIME?

Of all crimes, shoplifting has become the most commonplace. In 1975, an estimated 140 million shoplifting incidents depleted retailers' inventories by \$1.9 billion. A small percentage of those thefts were carried out by career shoplifters--professionals who make their living shoplifting and working with stolen goods. The majority of shopliftings are by amateurs who steal on impulse, only if the opportunity is there.

Shoplifting Tactics

WHAT ARE THE
TACTICS OF
SHOPLIFTERS?

Amateur shoplifters quickly learn what tricks work best in which stores. In clothing stores, customers try on garments and simply walk out wearing them. In grocery stores and drugstores, people employ the "marking switch," exchanging price tags and paying low prices for expensive items. In all stores "palming"--

covering merchandise with a handkerchief or slipping it between newspapers and walking off with it—is a tactic used for small items.

Purses, pockets, shopping bags, umbrellas, baby strollers, and briefcases offer the shoplifter convenient places to hide stolen goods. Even the clumsiest amateurs quickly master such techniques as slipping items under loose fitting coats, full skirts and flowing smocks.

For many of these amateurs, shoplifting is their first criminal experience. Successful on the initial try, they look for more daring ventures and more profitable items.

Professionals begin their careers with amateur tactics but soon graduate to more sophisticated techniques and elaborate props. "Booster boxes," empty cartons disguised in gift wrappings, have hidden side openings that allow shoplifters to quickly stuff in merchandise. "Hooker belts" worn around the waist support hooks on which professionals can hang stolen items. Others develop the ability to walk out of a store with merchandise tucked between their thighs.

Both amateurs and professionals employ similar strategies to confuse and distract clerks. Shoplifters working in teams often stage a disturbance—one complains loudly or faints while the other works without being noticed. Another tactic is to ask a salesperson to bring out piles of merchandise. In the confusion, the shoplifter makes a big show of returning some items while secretly pocketing others. Other shoplifters take advantage of crowded stores during peak selling hours and inexperienced sales clerks.

Characteristics of Shoplifters

ARE THERE ANY
COMMON CHARAC-
TERISTICS OF
SHOPLIFTERS?

Although drug addicts and alcoholics are stereotyped as the classic shoplifters, every customer is a potential shoplifter. Teenagers pilfer on a dare from their peers and view their actions as harmless pranks. One interesting study of shoplifters found that some were housewives who, having skipped breakfast and postponed lunch, lacked the patience to wait and pay for their merchandise.

Many shoplifters privately rationalize their thievery on the grounds that wealthy businesses will not be affected by losing "just a dress." They fail to consider the total impact of all the items shoplifted on the store's budget. If every customer stole "just a dress," then no amount of profit would make up for the items lost, and the business would fail.

Because "the hand is quicker than the eye," retailers have difficulty detecting shoplifters at work. However, there are a number of signs that knowledgeable retailers watch for:

- Most shoplifters are nervous: their eyes scan the shop to make sure nobody is watching; they spend more time looking around than they spend examining merchandise. Clerks politely offering shoplifters assistance are often met with startled, stammering responses.
- Shoplifters often hover in one area, repeatedly circling certain counters but never buying anything. Some carry merchandise from one section of the store to another

as though undecided. They are looking for watchful clerks; if none seem to be watching, they leave with the goods.

- Shoplifters often walk into the store carrying boxes, newspapers, briefcases, and shopping bags. People with such items in hand are not necessarily shoplifters. Nevertheless, they should be carefully watched. Also, customers wearing unseasonable clothing--a heavy coat in midsummer, a raincoat on a sunny day--may be up to something.

Deterrents

WHAT PROTECTIVE MEASURES CAN BE TAKEN?

By establishing effective deterrents within a store, a merchant can begin to combat the shoplifting problem. Preventive measures must accomplish two things. First, they must heighten shoplifters' feelings of being watched. Attentive sales clerks can substantially reduce the number of shoplifting incidents in a store. "While polite salespeople please honest customers, they unnerve thieves," observes one expert. A simple "Can I help you?" or "I'll be with you in a minute" warns shoplifters they are being watched. A shoplifter values privacy and a helpful clerk invades it mercilessly.

Second, preventive measures should minimize access to merchandise, especially in the arrangement of the sales area and in inventory placement. Shops with neatly arranged displays make it hard to

steal. Merchandise displayed in standard groups--three or four items per display--helps salespeople "miss" something quickly. Cash registers should be positioned to provide every cashier a full and unobstructed view of the aisles. All expensive items should be locked in glass display cases, placed out of reach behind the counter. High priced merchandise should not be displayed near exits since shoplifters can easily walk out with it.

The following are precautions which can be taken to reduce losses from shoplifters. Most of these precautions cost no money to implement and require no special skills to install:

1. Use alert, aggressive selling at all times; greet each customer promptly.
2. Even if you are busy, let other customers know that you see them. Nod and state pleasantly, "I'll be with you in a moment."
3. If you suspect a customer is being tempted to pilfer, watch that customer openly; carefully, but courteously. Being watched discourages most shoplifters.
4. Place expensive items behind the counter or in a closed display case.
5. Keep aisles clear.
6. When possible, keep items away from the edge of the counter.
7. Check dressing rooms often for clothing left by customers.

8. Check customers as they enter and leave the dressing room. One of the simplest methods of shoplifting is for a person to try on merchandise and then walk away from the department wearing it.
9. Keep empty hangers off display racks at all times.
10. Keep displays as complete as possible; this makes it easier to spot shoplifters.
11. Check merchandise as you write up the order. Become familiar with store prices. Look for ticket switching and concealment of additional merchandise inside the merchandise the customer is buying.
12. Never turn your back on a customer if you can avoid it.
13. Be especially alert during opening, closing, and lunch hours.
14. Watch customers' hands, for their hands do the stealing.
15. Beware of loosely wrapped parcels which could have false openings.
16. Be especially observant of people wearing loose, bulky coats or dresses.
17. Never leave a section of the building unattended.
18. Serve young customers as quickly as possible--help them keep out of trouble.

Viewing Devices

WHAT VIEWING
DETERENTS ARE
AVAILABLE?

The popular two-way mirror permits clerks at one end of the store to view a customer at the other. Although the initial impact of such mirrors can be successful, their effectiveness is limited.

Shoplifters know that the view clerks have of them is the same they have of the clerks. If the shoplifter can't clearly see what the clerk is doing, then the reverse is also true.

Some retailers install one-way windows with an overall view of the store. This tactic can reduce shoplifting as long as someone is watching at all times. However, unlike large department stores, small operations cannot afford to hire someone to do this full-time. Therefore, shoplifters will be alert to this when entering a smaller store and the effectiveness of the window will be diminished.

One expert warns retailers not to rely wholly on viewing devices to fight off the shoplifter. "These deterrents may be psychologically effective--but only for a short while," he says. He recommends using them for six months at a time, dismantling them, then reinstalling them a later time.

Price Tags

HOW CAN PRICE TAGS DETER SHOPLIFTING?

Tamper-proof price tags--gummed labels that rip if peeled off or price tickets attached by plastic strips that must be cut with scissors--help defeat price tag switching. Some items can be specially stapled so shoplifters cannot transfer one price tag to another item without considerable work.

Electronic tags, a popular antishoplifting device, require clerks to deactivate ionic sensors at the point of purchase. If the tags are not deactivated, the customer or shoplifter walking out with an item will set off a harsh alarm, thus alerting employees to a possible shoplifting attempt. Although apparel

stores have found them especially useful, recent modifications have made these tags suitable for use on drugs, cosmetics, records, and other small items.

BAD CHECKS

WHAT ABOUT
BAD CHECKS?

Writing a check for payment of goods and services has become very popular. Small retailers are hardest hit by losses caused by accepting bad checks. These losses can be significantly reduced if the proper policies in addition to a sound step-by-step procedure for accepting checks are established. These policies and procedures must best suit the needs of your firm. Some businesses accept checks for the purchase price only; others require three forms of identification; some retailers do not accept two-party checks.

LOSSES CAUSED BY WASTE

ARE SOME INTERNAL
LOSSES SIMPLY
"MISTAKES"?

Losses in profit caused by waste can seriously affect a business. The cost of utilities has increased very rapidly; everyone is more concerned with saving energy and natural resources. Therefore, you should emphasize energy saving practices among your employees, and watch for potential waste of electricity, heat, water, or gas within your firm. Poor housekeeping practices, merchandise damaged by poor receiving practices or ruined by improper handling, represent other types of loss by waste.

Carelessness, such as the employee who unintentionally carries home a pencil or the customer who accidentally puts your pen in his or her pocket, can also erode profits. Manufacturing companies in

particular have a special problem when employees walk off the job with small tools. Policies should be established to curtail this practice. For example, small tools can be assigned to employees when they arrive. Employees can return all small tools to a centralized location when leaving the job each day.

EXPLORATION ACTIVITIES

Do you feel knowledgeable enough in business protection to be able to put some of the skills you have learned into practice? The following activities will help you experience come "real" business protection situations. After completing the activities, do a self-evaluation to check your understanding of the material.

ASSESSMENT ONE

1. Look for a small, individually owned manufacturing business in your community. Interview the entrepreneur and find out what types of protection procedures are being used. Evaluate the procedures based on your readings. Are they adequate? If you were the entrepreneur, what would you do differently?
2. Investigate and prepare a one page report on how some of the small enterprises in your community handle the problem of shoplifting.
3. Write a protection program for a business that sells men's and women's clothing and fine jewelry. Assume the store has 6,000 square feet of selling space and an additional 700 square feet of storage space (a back room), two full-time employees, and no alarm system or other protective devices. Assume the store is located in a large shopping mall in a city of approximately 185,000 people.
4. Contact two business owners in your community that sell basically the same product or service. Make a comparison

of their procedures for check cashing and guarding cash.

5. There seems to be an increase in the amount of losses caused by employee mistakes. Suppose you operated a firm in which employees take an additional ten minutes for coffee breaks, accidentally take home a few pencils each day, and soil merchandise by careless handling. Develop a plan that you believe would reduce these losses.

POSTASSESSMENT

1. Develop a protection plan that outlines in detail what you would do to secure your business from losses caused by internal and external sources. Your plan should include strategies for guarding cash and reducing the amount of bad checks.
2. Define and discuss supervised and nonsupervised account alarm systems. Include in your discussion the advantages and disadvantages of each.
3. Discuss two common shoplifting practices. In your discussion you should identify various protective measures which can be used to minimize losses from these shoplifting practices.
4. (a) Experts in business protection believe some internal losses are mistakes and others are intentional. Distinguish between mistakes and intentional losses.
(b) Our society's values and attitudes are significantly different today from those of the past. Do you

believe these differences will cause mistake losses to increase? Consequently, should the business protection program be concerned with mistake losses?

5. Name and explain ten low-cost activities which a business can implement as precautions against shoplifting losses.

Compare your answers to your responses to the preassessment.

You may want to check your postassessment answers with your instructor.

SELF-EVALUATION

How well did you know the information needed to do the activities?

- ☐ Very well
- ☐ Fairly well
- ☐ A little

Be honest with yourself. If you feel you don't know the material well enough, it might be helpful to review this section before going on.

**PREPARATION/
ADAPTATION**

PREPARATION/
ADAPTATION

PART III, UNIT H
BUSINESS PROTECTION

PREASSESSMENT

Here are some questions that test for knowledge of the contents of this level. If you are very familiar with the information needed to answer them, perhaps you should go to another level or unit--check with your instructor. Otherwise, jot down your answers. After you've read through this level, take the postassessment at the end of the "Preparation/Adaptation Activities" section and measure what you've learned.

1. "There seems to be a close relationship between a company's screening practices used in selection of applicants and internal theft." Discuss this statement. Do you agree or disagree? Why?
2. What are the basic rules (practices) which an entrepreneur can use to help minimize internal theft?
3. Discuss the types of crime insurance available. What is meant by "3D" insurance?
4. Explain the Dishonesty Exposure Index. What information does it give an entrepreneur?
5. How can an employer encourage honesty among the firm's employees?

TEACHING/LEARNING OBJECTIVES

Upon completion of this level you should be able to:

1. Explain the steps involved in minimizing the risks of internal theft.
2. Discuss the different types of crime insurance policies available.
3. Prepare personnel policies which will help minimize internal theft.
4. Explain the Dishonesty Exposure Index Indicator.

SUBSTANTIVE INFORMATION

REDUCING INTERNAL THEFT

HOW CAN STOCK
SHORTAGES BE
REDUCED?

Effective personnel policies and procedures can help you generate a positive working atmosphere and discourage employee theft. In a publication entitled Preventing Retail Theft, the Small Business Administration (SBA) has developed a set of guidelines for upgrading personnel. This kind of information has been prepared by various agencies and can assist the entrepreneur in preparing a reasonable security plan.

The first step in reducing stock shortages is trying to select the most honest individuals for employees. Screening applicants is one of the most important security measures. A job applicant can't be judged by outward appearance alone. One hiring mistake could prove to be a devastating profit drain for months or years to come. No matter how urgently you may need additional personnel, it does not pay to neglect your screening and hiring procedures. Checking past experiences, former employers, and references are all good screening practices. Run a conscientious reference check on every new employee.

Another important step in reducing internal theft is setting a tone or atmosphere that will encourage honesty in your business. Because people respect high standards, you should not settle for less. They also tend to follow the example of the individual who set such standards and requires that they be met. So you will set the pace.

Avoid setting a double standard of moral and ethical conduct.

If employees see a supervisor committing even a slightly dishonest act, they are encouraged to follow suit. Return overshipments or overpayments promptly. It is also important to adopt a "zero shortage" attitude. If you feel that a reasonable amount of pilferage is all right, keep it a secret and hammer away shortage control, even when losses diminish.

The owner/manager should establish realistic goals. Expecting the employee to achieve the impossible is an invitation to cheat. When you do, you give the employee no alternative: the employee must cheat or admit failure and risk losing the job. Make certain each person is matched to the job. Employees should not be put in positions where they are forced to lie or cheat about their performance because they are unable to do their work.

In a small business, employers and employees get to know each other quite well. Therefore, it is especially important to be fair. When people feel they are being treated unfairly, or that the firm is arbitrary, error, waste, and the kind of indifferent performance that breeds dishonesty may occur. Set rules and apply them to everyone. Clear lines of authority and responsibility should be delineated. Every employee needs a yardstick by which to measure her or his progress and improve performance. Each employee's duties should be spelled out--preferably in writing. In addition to providing equitable wages and salaries, try to relate to your employees' needs. You may not solve white collar crimes, but these practices will certainly help establish a good working environment.

Employers with little or no stock shortages minimize temptation to steal. One organization of counter service restaurants is noted for its good employee relations. It treats people equally, and displays faith in their integrity and ability. But it also provides uniforms without pockets. Remove the opportunity to steal and half the battle is won.

The owner/manager should continuously train employees in investigation and security. All employees should know company policies and procedures regarding security. Employees should be aware of ways to eliminate stock shortages and shrinkage. They should also be familiar with typical shoplifting practices so they will be more observant of customer behavior.

Researchers in the area of stock shortages all indicate that stealing is contagious. Guidelines have been developed to help you, the entrepreneur, reduce internal shrinkage. Here is one set of basic rules:

1. Check your receiving procedure to insure all merchandise is actually received. Your procedure should not allow the drivers access to merchandise once it is checked.
2. Make sure the clerk who checks invoices tracks down all missing invoice numbers and billings.
3. Have only authorized personnel handle returnables and allowances.
4. Make sure all employees assigned to handle items returned by customers are well informed of the correct price of all merchandise.

5. Number all sales slips. If errors are made, the sales slip would be voided, not thrown in the wastebasket.
6. Assign certain employees to check all transfers into or out of the building.
7. Control employee purchases. Have all packages checked with security or placed in employees' lockers.
8. Control the keys used by your employees so only authorized personnel enter locked areas of the store.

CRIME INSURANCE

WHAT IS CRIME INSURANCE?

Crime insurance supplements a business person's security program and covers losses from robbery, theft, forgery, burglary, embezzlement, and other criminal acts. By definition, burglary is an unlawful entry to a residence or place of business for the purpose of committing theft. Normally, to collect losses from an insurance company, there must be evidence of forced entry, such as broken locks or windows, tool marks, or other clear evidence that the burglary was in fact committed. Robbery has a much looser definition. It can be defined as the taking of property by use of fear, force, or violence. Theft can be defined as the act of taking property that belongs to the insured or his or her customers from the insured area. Examples would be shoplifting or purse snatching.

Insurance policies do vary. Some policies may not cover certain crimes. So, regardless of the type or amount of insurance you will need for your business, it is extremely important for you

to check any policy you are considering for exclusionary clauses. You will also need to know exactly what your policy covers and the circumstances under which recovery of losses is allowed. This will require a very careful examination of the policy. Read the policy completely and be sure that you understand what you have read prior to signing it. You may want to contact your attorney for advice. Be sure to use a reputable insurance company and agent.

You must consider your insurance needs carefully. Your first priority is to adopt the policy that will help minimize potential losses as much as possible and provide the widest coverage for your firm. In the majority of cases, you are spending money based on the assumption that if certain potentially harmful events occur, they would be so damaging that they could put you out of business. Therefore, you must be able to define and be thoroughly aware of the risks you face and make provisions for them.

Decisions about insurance are complex. If you are underinsured you are risking ruination; but if you are overinsured, you are spending substantial funds for nothing.

Types of Crime Insurance

*WHAT TYPES OF
CRIME INSURANCE
ARE AVAILABLE?* As you begin developing plans for the various components of your business, it is important for you to become familiar with the many different types of crime insurance available. Your first consideration might be a comprehensive policy or "3D" insurance. The "3D" stands for comprehensive dishonesty, disappearance, destruction and is a blanket crime policy. The coverage includes recovery from

losses due to employee dishonesty or counterfeit currency as well as loss of money, securities, or merchandise through robbery, burglary, or mysterious disappearance. The policy also covers certain types of check forgery and damage to premises or equipment resulting from a break in.

In addition to the coverage options in the basic "3D" policy, the following are also normally available if the business has a need for them:

- . Incoming check forgery
- . Burglary coverage on merchandise
- . Paymaster robbery coverage on and off premises
- . Paymaster robbery coverage on premises only
- . Broad-form payroll on and off premises
- . Broad-form on premises only
- . Credit card forgery
- . Theft coverage on office equipment.

Naturally, if you decide to include any of the additional endorsements, the cost of insurance will increase.

In certain situations, entrepreneurs may prefer to cover specific needs with separate policies. Entrepreneurs can purchase:

- . Mercantile safe burglary policy to reimburse the business for loss of money, securities, and valuables from a safe or vault and pay for damage to the safe and other property resulting from burglary

- . Mercantile open stock policy to insure the entrepreneur against burglary or theft of merchandise, furniture, fixtures, and equipment on the premises and pay for damage to property resulting from burglary
- . Fidelity bonds to reimburse the employer for loss due to embezzlement and employee thefts of money, securities, and other property. Employees who handle money, cash receipts, and merchandise should be bonded.
- . Forgery bonds to reimburse the business or the bank for any loss sustained from the forgery of business checks.

Insurance premiums vary according to the type of business, store location, number of employees, maximum cash value, amount of security equipment installed, and prior losses. Businesses operating in high risk, high crime areas need the most insurance but often have the highest premiums. Businesses that experience a number of burglaries face increasingly higher premiums, or at worst cancelled policies. Furthermore, they have difficulty finding insurance companies willing to underwrite them.

Dishonesty Index

HOW DO YOU FIND
THE SUGGESTED
MINIMUM AMOUNT
OF INSURANCE
REQUIRED?

The dishonesty index, developed by Gion Green and Raymond Farber, is used by many entrepreneurs throughout the country. To determine the suggested minimum amount of insurance required, fill out the following "Dishonesty Exposure Index Indicator."

Dishonesty Exposure Index Indicator

1. Total current assets (cash, deposits, securities, receivables and goods on hand). \$ _____
 - A. Value of goods on hand (raw materials in process, finished merchandise or products). \$ _____
 - B. 5% of A. \$ _____
 - C. Total current assets less goods on hand. (The difference between 1 and 1A). \$ _____
 - D. 25% of C. \$ _____
2. Annual gross sales or income. \$ _____
 - A. 10% of 2. \$ _____
 - B. Total of 1B, 1D, and 2A -- the firm's dishonesty exposure index. \$ _____

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Once the firm's dishonesty exposure index is computed, find the recommended coverage by referring to the "Suggested Minimum Amounts of Honesty Insurance" which follows:

Suggested Minimum Amounts of Honesty Insurance

<u>Exposure Index</u>		<u>Amount of Coverage</u>	
up to	25,000	\$15,000	to 25,000
25,000	to 125,000	25,000	50,000
125,000	250,000	50,000	75,000
250,000	500,000	75,000	100,000
500,000	750,000	100,000	125,000
750,000	1,000,000	125,000	150,000
1,000,000	1,375,000	150,000	175,000
1,375,000	1,750,000	175,000	200,000
1,750,000	2,125,000	200,000	225,000
2,125,000	2,500,000	225,000	250,000
2,500,000	3,325,000	250,000	300,000
3,325,000	4,175,000	300,000	350,000
4,175,000	5,000,000	350,000	400,000
5,000,000	6,075,000	400,000	450,000
6,075,000	7,150,000	450,000	500,000
7,150,000	9,275,000	500,000	600,000
9,275,000	11,425,000	600,000	700,000
11,425,000	15,000,000	700,000	800,000
15,000,000	20,000,000	800,000	900,000
20,000,000	25,000,000	900,000	1,000,000
25,000,000	50,000,000	1,000,000	1,250,000
50,000,000	87,500,000	1,250,000	1,500,000
87,500,000	125,000,000	1,500,000	1,750,000
125,000,000	187,500,000	1,750,000	2,000,000
187,500,000	250,000,000	2,000,000	2,250,000
250,000,000	333,325,000	2,250,000	2,500,000
333,325,000	500,000,000	2,500,000	3,000,000
500,000,000	750,000,000	3,000,000	3,500,000

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PREPARATION/ADAPTATION ACTIVITIES

Are you able to apply these business protection principles to your business aspirations? Are you now knowledgeable about the various techniques and approaches? The following activities should help you check your knowledge about business protection.

ASSESSMENT ONE

1. Interview the manager/owner of a local wholesale or manufacturing business to determine the personnel screening procedures being used. Do you believe they are adequate? If not, what would you do differently?
2. Contact at least two small businesses in your area that sell basically the same service or goods. Compare the types of insurance coverage each entrepreneur has. Would you expect two companies in the same area selling basically the same goods or services to have significantly different insurance coverage? Why or why not?
3. Using the Dishonesty Exposure Index Indicator, insert a set of anticipated financial figures for your business and determine the minimum amount of insurance recommended for your business.
4. Prepare two comprehensive plans to minimize losses for your business, the first to cover internal theft, and the second to minimize external losses.
5. Invite an insurance agent to discuss the types of insurance coverage available in your area and the costs of the

various types of coverage. Ask the agent to compare the terms of insurance rates and to explain why there are differences.

POSTASSESSMENT

1. "There seems to be a close relationship between a company's screening practices used in selection of applicants and internal theft." Discuss this statement. Do you agree or disagree? Why?
2. Identify and discuss the basic rules (practices) that an entrepreneur can use to help minimize internal theft.
3. Discuss the various types of crime insurance available. What is meant by "3D" insurance?
4. Explain the Dishonesty Exposure Index. What information does it give an entrepreneur?
5. Explain how an employer can encourage honesty among the firm's employees.

Compare your answers to your responses to the preassessment. You may want to check your postassessment answers with your instructor.

SELF-EVALUATION

How well did you know the information needed to do the activities?

- () Very well
- () Fairly well
- () A little

Be honest with yourself. If you feel you don't know the material well enough, it might be helpful to review this section before going on.

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FILMS

Available for purchase or rental from Sales Branch, National Audiovisual Center - General Services Administration, Washington, D. C. 20409. Phone (301)763-1854.

EXPOSURE LEVEL:

"Burglary Is Your Business" (15 min., sd., color, 16mm)

Through an investigation by a police department detective following a burglary at a home furnishing/appliance store and the detective's conversation with the store owners, the film points out security measures which retailers should take to prevent burglaries.

"The Shoplifter" (20 min., sd., color, 16 mm)

Illustrates techniques used by amateur and professional shoplifters. A convicted shoplifter demonstrates stealing methods under actual conditions and explains how alert and informed employees could have prevented the thefts.

EXPLORATION LEVEL:

"They're Out to Get You" (12 min., sd., color, 16 mm)

The main character in this film is a convicted shoplifter. Through conversations with his cellmate and flashbacks to some of his shoplifting episodes, he shows how shoplifters operate and, indirectly, points out preventive measures small business persons can take to limit shoplifting in their stores.

"It Can Happen to You" (15 min., sd., color, 16 mm)

Outlines the experience of a hardware store owner cooperating with a police lieutenant in getting the facts about an employee pilferage problem. The police lieutenant points out situations and procedures which encourage pilferage and shows how to remedy these matters.

PREPARATION/ADAPTATION LEVEL:

"The Inside Story" (15 min., sd., color, 16 mm)

The film illustrates steps which can be taken to limit or prevent pilferage by plant employees through conversations and activities of the owner of a small manufacturing plant and his security guard. Though the owner is vehement about not wanting to suspect any of his employees, facts reveal that an old, trusted employee has been pilfering for years.

"The Paperhangers" (31 min., sd., color, 16 mm)

The nation's most expensive and popular crime--check fraud--is explored in this film. The film shows how most bad check passers or "paperhangers" can be stopped in their tracks by an efficient check-cashing procedure. Such a procedure is shown in detail, along with guidelines for carrying it out. Two former "paperhangers" discuss the most common errors made by business people and show techniques frequently used for passing bad checks.

"Plant Pilferage" (32 min., sd., color, 16 mm)

Directed to industrial management, this comprehensive film covers a large loss to industry--pilferage--which reduces profits by the staggering amount of one billion dollars every year. In this film, a visiting management group tours a plant where security measures are being taken. Each of the eight steps in a successful pilferage-protection program is demonstrated. Prevention--rather than apprehension of the thief--is emphasized.

PACE

A Program for Acquiring Competence in Entrepreneurship

Instructor's Guide

Part III

Being An Entrepreneur

Unit H

Business Protection



THE NATIONAL CENTER
FOR RESEARCH IN VOCATIONAL EDUCATION
THE OHIO STATE UNIVERSITY
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USING THE INSTRUCTOR'S GUIDE

The Instructor's Guide contains the following:

- Teaching/Learning Objectives (identical to the Teaching/Learning Objectives found in the PACE unit)
- Teaching/Learning Delivery Suggestions
- Pre/postassessment Suggested Responses

This information is geared towards the three levels of learning, and is designed for use as a supplemental teaching aid. Additional instructions for using PACE, sources of information, and an annotated glossary can be found in the PACE Resource Guide.

PRE/POSTASSESSMENT SUGGESTED RESPONSES

EXPOSURE

1. Lack of or improper use of loss prevention systems can contribute to the failure of a business.
2. To minimize business losses, entrepreneurs can develop and implement crime control procedures, enroll in the Federal Crime Insurance Program, and buy insurance protection.
3. Profit siphoning is a reduction of business profits that results from dishonest actions such as stealing or destruction of property. It may involve employees, delivery personnel, burglars, shoplifters, and vandals.
4. Internal security is as important as external security because employees can be tempted to steal if steps are not taken to control unauthorized access to merchandise and property. Often retailers are reluctant to admit mistakes in their judgment of employees or are negligent or lax, thus fostering employee embezzlement.
5. The Federal Crime Insurance Program provides federally funded crime insurance at reasonable rates based on the size and accepted risk of the insured property. Coverage is limited to a maximum of \$15,000. Responses should indicate the benefits or disadvantages of this program to the proposed venture.

EXPLORATION

1. The protection plan might include provisions for key control, window protection, protective lighting, cash protection (i.e., safes, safety deposit boxes), alarm systems, and a check cashing procedure.
2. *Supervised alarm systems* monitor all after-hours openings and closings and register robbery, burglary, and fire alarms at the central station. Although they are more expensive, they provide constant, remote supervision. Supervised alarm systems deter dishonest employees by indicating the exact times workers enter and leave the premises. *Nonsupervised alarm systems* only relay burglary, fire, and robbery alarms to the central station. They cost less, but only relay emergency conditions to the station.

3. Common shoplifting practices are palming, price tag switching, use of booster boxes and hooker belts, and hiding merchandise beneath oversized clothing. Protective measures include viewing devices, attentive sales clerks, tamper proof price tags, and displaying merchandise in clear sight of cashier.
4. (a) Wasteful practices can be *mistakes*, such as accidents, or taking tools and other small items home; or *intentional*, resulting from faulty operating procedures.

(b) All business protection programs should be designed to minimize loss. The segment that copes with internal losses should include measures designed to eliminate wasteful practices. Responses will vary according to respondent's view of society; however, answers should indicate an awareness of the need for internal loss prevention programs which emphasize energy saving, efficient housekeeping, and accurate receiving and handling procedures.
5. Responses could include descriptions of alert, aggressive selling activities; proper store layout and merchandise display techniques; and efficient check out procedures.

PREPARATION/ADAPTATION

1. Responses should indicate an understanding of the fact that effective personnel policies and procedures, including screening practices, can help entrepreneurs generate a positive working atmosphere and discourage employee theft.
2. The basic rules that an entrepreneur can use to help minimize internal theft include screening applicants, encouraging honesty, establishing realistic goals, and minimizing temptation.
3. Responses should indicate a familiarity with the specific policies, such as the Merchantile Safe Burglary Policy, the Merchantile Open Stock Policy, Fidelity Bonds and Forgery Bonds, in addition to "3D" insurance. Blanket or "3D" protection refers to comprehensive dishonesty, disappearance, and destruction insurance.
4. The Dishonesty Exposure Index can be used to determine the minimum amount of insurance required. Entrepreneurs can use the index to estimate how much insurance they need.
5. Honesty is fostered when an employer (a) has high standards for himself or herself in addition to the firm's employees, (b) sets a good example and is a positive role model for employees, and (c) returns overshipments and overpayments promptly.

		TEACHING/LEARNING OBJECTIVES	TEACHING/LEARNING DELIVERY SUGGESTIONS
		Upon completion of this level of instruction you should be able to:	A variety of different teaching/learning methodologies have been used. To help you organize your work and plan the use of this level these suggestions are made:
LEVELS OF LEARNING	Exposure	1. Explain the importance of firms having business protection programs. 2. Discuss what entrepreneurs can do to minimize business losses. 3. Define profit siphoning. 4. Explain the need for protection against internal theft. 5. Define the Federal Crime Insurance Program.	Invite a department store security person to speak to the group.
	Exploration	1. Write a plan that would outline in detail what you would do to secure your firm's premises. 2. Describe proper procedures for guarding cash. 3. Distinguish between alarm systems and identify the advantages and disadvantages of each system. 4. Describe shoplifting practices commonly used. 5. Name various protective measures which can be used to minimize shoplifting. 6. Identify procedures which can be used to reduce the amount of bad checks. 7. Distinguish losses which are mistakes from those which are intentional.	1. Interview local business owners regarding their insurance coverage. 2. Visit two businesses selling basically the same type of product or service and compare their business protection approaches.
	Preparation/Adaptation	1. Explain the steps involved in minimizing the risks of internal theft. 2. Discuss the different types of crime insurance policies available. 3. Prepare personnel policies which will help minimize internal theft. 4. Explain the Dishonesty Exposure Index Indicator.	1. Invite local business owners to discuss their personnel screening practices with the group. 2. Interview business owners selling similar products or services on their insurance coverage and make comparisons. 3. Have an insurance agent discuss insurance coverage protection for small businesses.

The PACE series consists of these parts and units.

PART I: GETTING READY TO BECOME AN ENTREPRENEUR

Unit A: Nature of Small Business

Unit B: Are You an Entrepreneur?

Unit C: How to Succeed and How to Fail

PART II: BECOMING AN ENTREPRENEUR

Unit A: Developing the Business Plan

Unit B: Where to Locate the Business

Unit C: Legal Issues and Small Business

Unit D: Government Regulations and Small Business

Unit E: Choosing the Type of Ownership

Unit F: How to Finance the Business

Unit G: Resources for Managerial Assistance

PART III: BEING AN ENTREPRENEUR

Unit A: Managing the Business

Unit B: Financial Management

Unit C: Keeping the Business Records

Unit D: Marketing Management

Unit E: Successful Selling

Unit F: Managing Human Resources

Unit G: Community Relations

Unit H: Business Protection

RESOURCE GUIDE